

IRS TAX TIP 2004-33

GAMBLING INCOME AND EXPENSES

Hit a big one in 2003? With more and more gambling establishments, the IRS reminds people that they must report all gambling winnings as income on their tax return.

Gambling income includes, but is not limited to, winnings from lotteries, raffles, horse and dog races and casinos, as well as the fair market value of prizes such as cars, houses, trips or other noncash prizes.

Generally, if you receive \$600 (\$1,200 from bingo and slot machines and \$1,500 from keno) or more in gambling winnings, the payer is required to issue you a Form W-2G. If you have won more than \$5,000, the payer may be required to withhold 25% of the proceeds for Federal income tax. However, if you did not provide your Social Security number to the payer, the amount withheld will be 28%.

The full amount of your gambling winnings for the year must be reported on line 21, Form 1040. If you itemize deductions, you can deduct your gambling losses for the year on line 27, Schedule A (Form 1040). You cannot deduct gambling losses that are more than your winnings.

It is important to keep an accurate diary or similar record of your gambling winnings and losses. To deduct your losses, you must be able to provide receipts, tickets, statements or other records that show the amount of both your winnings and losses.

For more information on record keeping, see IRS Publication 529, "Miscellaneous Deductions," or Publication 525, "Taxable and Nontaxable Income." You may also want to check out Form W-2G and its instructions and Tax Topic 419, "Gambling Income and expenses." All are available on the IRS Web site at www.irs.gov. You may also order free publications and forms by calling toll free 1-800-TAX-FORM (1-800-829-3676).

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